

# FORM MO-1120S S CORPORATION INCOME TAX RETURN

This information is for guidance only and does not state the complete law.

## WHO MUST FILE FORM MO-1120S

### **CORPORATION FRANCHISE TAX:**

Every S corporation must determine if its assets or apportioned assets are greater than \$1,000,000. If its assets (in or apportioned to Missouri) are over \$1,000,000, the S corporation must complete and file Form MO-FT and Form MO-1120S, Lines 14 through 26. Attach a copy of Federal Form 1120S, Schedule L. If their assets (in or apportioned to Missouri) are equal to or less than \$1,000,000, the S corporation must check Box A on Form MO-1120S and sign the return.

### **S CORPORATION INCOME TAX:**

Every S corporation must file Form MO-1120S if they file Federal Form 1120S and the S corporation has: 1) a shareholder that is a Missouri resident; or 2) any income derived from Missouri sources (Section 143.471, RSMo). Attach a copy of Federal Form 1120S and all Schedule K-1(s). Qualified subchapter S subsidiaries (QSSS) must file a separate Form MO-1120S and attach their separate balance sheet. The QSSS must also check Box A on the Form MO-1120S.

## MISSOURI REGISTRATION

Every S corporation must register with the Department of Revenue to receive a Missouri Tax Identification Number. To register, contact: Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 3300, Jefferson City, MO 65105-3300, visit our web site at [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax), or call (573) 751-5860.

## TIME AND PLACE OF FILING AND PAYMENT

### **CORPORATION FRANCHISE TAX:**

Corporation franchise tax is due on or before the 15th day of the fourth month following the beginning of the tax year. Example: Taxable period of January 1, 2002, to December 31, 2002; due April 15, 2002.

## DELINQUENT PAYMENTS

### **Interest:**

Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 2002, is 6 percent per annum (Section 32.065, RSMo).

### **Penalty — Failure to Pay Franchise Tax**

Franchise taxes not paid on or before the due date (determined with regard to any extension of time for payment) are subject to a penalty of 5 percent per month or fractional part thereof until paid, not exceeding 25 percent. Penalty will not be assessed if at least 90 percent of the tax is paid on or before the original due date.

### **S CORPORATION INCOME TAX:**

S corporation return is due on or before the 15th day of the fourth month following the end of the tax year. Example: Taxable period of June 1, 2001, to December 31, 2001; due April 15, 2002.

**Note:** When the due date falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed on the next business day. Include the Missouri Tax Identification Number on the check or money order.

If you have a balance due, mail your return and payment to:

Missouri Department of Revenue, P.O. Box 3365,  
Jefferson City, MO 65105-3365.

If you are due a refund or have no amount due, mail your return to:

Missouri Department of Revenue, P.O. Box 700,  
Jefferson City, MO 65105-0700.

## PERIOD COVERED BY THE RETURN

Form MO-1120S must cover the same period as the corresponding Federal Form 1120S. Indicate the period covered on the front of the return. If filing a calendar year Form MO-1120S, enter dates of January 1, 2001, to December 31, 2001. If filing Form MO-FT for a calendar year, enter dates January 1, 2002 to December 31, 2002. **These returns must be filed together on the same forms.**

## ROUNDING ON MISSOURI RETURNS

You must round all cents to the nearest whole dollar on your return. For cents .01 through .49, round down to the previous whole dollar amount (round \$32.49 down to \$32.00) on the return. For cents .50 through .99, round up to the next whole dollar amount (round \$32.50 up to \$33.00) on the return. For your convenience, the zeros have already been placed in the cent columns on the returns.

## EXTENSION OF TIME TO FILE

If an S corporation has been granted an extension of time to file its federal income tax return, the time for filing the Missouri income tax return is automatically extended for a similar period of time. A copy of the Federal Extension Form 7004 must be attached to the Form MO-1120S when filed. **Form MO-60 is only required if a franchise tax liability exists.**

**If Form MO-60 is used to extend the time to file a Missouri composite return, the Form MO-60 must be marked as an individual (Form MO-1040) and not as an S corporation.**

## NONRESIDENT SHAREHOLDERS

Every S corporation must file Form MO-1NR, Income Tax Withheld for Nonresident Individual Partners or S Corporation Shareholders and send in copies of Form MO-2NR, Statement of Income Tax Payments for Nonresident Individual Partners or S Corporation Shareholders if they have nonresident individual shareholders who do not meet one of the following exceptions:

- the nonresident shareholder, not otherwise required to file a return, elects to have the Missouri income tax due paid as part of the S corporation's composite return;
- the nonresident shareholder, not otherwise required to file a return, had Missouri assignable federal adjusted gross income from the S corporation of less than twelve hundred (\$1,200) dollars;
- the S corporation is liquidated or terminated, income was generated by a transaction related to termination or liquidation, and no cash or property was distributed in the current or prior taxable year.

Pursuant to Section 143.411, RSMo, a nonresident shareholder can request the S corporation be exempt from withholding by filing a completed Form MO-3NR, Partnership/S Corporation Withholding Exemption/Revocation Agreement.

Form MO-1NR must be filed by the due date or extended due date for filing the S corporation income tax return. Form MO-3NR must be filed by the due date for filing the S corporation income tax return without regard to an extension of time to file.

Forms may be obtained by writing the Missouri Department of Revenue, Division of Taxation and Collection, P.O. Box 3022, Jefferson City, MO 65105-3022, calling (800) 877-6881 (TDD (800) 735-2966), visiting our web site at [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax), or using the department's Forms-by-Fax at (573) 751-4800.

If you have technical questions concerning the filing of Form MO-1NR and Form MO-3NR you may contact the Division of Taxation and Collection at (573) 751-1467. **If you are filing a composite**

return and you have questions or you need to request permission to file a composite return, contact the Division of Taxation and Collection at (573) 751-1467.

## **S CORPORATION ADJUSTMENTS**

Each S corporation, having modifications, must complete the Form MO-1120S, Page 1, Lines 1–13 and Part 2, the Allocation of Missouri S Corporation Adjustment to Shareholders, and notify each shareholder of the adjustments to which he/she is entitled. Missouri income tax law provides adjustments to a shareholder's share of the S corporation income included in his/her individual federal income tax return in order to properly determine his/her individual Missouri adjusted gross income. Each shareholder should add the explanation: "S Corporation Adjustments-S Corporation Name" to the Form MO-1040. A copy of the Form MO-1120S must be provided to each shareholder.

## **INTEREST ON EXEMPT FEDERAL OBLIGATIONS**

Interest from direct obligations of the U.S. Government, such as U.S. savings bonds, U.S. treasury bills, bonds, and notes are exempt from state taxation under the laws of the United States. **Attach a detailed list or all Federal Form 1099(s).** S corporations that claim an exclusion for interest from U.S. obligations must identify the specific securities owned, (e.g., U.S. savings bond). A general description such as "interest on U.S. obligation" or "U.S. Government securities" is not acceptable. (See 12 CSR 10-2.150 for the taxability of various U.S. Government related obligations.) A list of exempt U.S. obligations must be provided to each shareholder by the S corporation. This list will allow the shareholder to report the modification on his/her Missouri Individual Income Tax Return, Form MO-1040.

A federally taxed distribution received from a mutual fund investing exclusively in **direct** U.S. Government obligations is exempt. If the fund invests in both exempt and nonexempt government obligations, a year-end statement from the mutual fund that details the breakdown of exempt (direct) and nonexempt (indirect) portion of the distribution from the fund is required. A copy of the fund statement must be provided to the shareholders of the S corporation.

**Note:** Failure to attach a copy of the notification furnished to you that specifically details the amount of the subtraction being claimed as your distributive share will result in the disallowance of the deduction.

In arriving at the amount of related expenses, the taxpayer may use actual expenses or a reasonable estimate. In general, the taxpayer should use the same or similar method used to compute related expenses for federal income tax purposes, provided that the method reasonably reflects related expenses for Missouri-exempt income.

If a taxpayer fails to compute reasonable related expenses, the Director of Revenue will make an adjustment based on the best information made available. If sufficient information is not made available or if the taxpayer's records do not provide sufficient information, the Director of Revenue will use the following formula to compute related expenses:

$$\frac{\text{Exempt income}}{\text{Total income}} \times \text{Expense items} = \text{Reduction to exempt income}$$

The principal expense item in this formula is interest expense; however, the Director of Revenue may include other expense items because of their direct relationship to the production of exempt income. The taxpayer may propose an alternative method provided that it properly reflects the amount of related expenses.

## **FEDERALLY TAXABLE — MISSOURI EXEMPT OBLIGATION**

The amount of any bond issued by the Missouri Higher Education Loan Authority (MOHELA) including interest or proceeds resulting from the sale of the bonds is exempt from Missouri tax. If the

amount is included in federal taxable income, the amount can be subtracted from federal taxable income for Missouri tax purposes pursuant to Section 173.440, RSMo. Enter the exempt amount on Line 9 and provide documentation with the return.

## **CAPITAL GAIN EXCLUSION FROM THE SALE OF LOW INCOME HOUSING PROJECT**

Enter on Form MO-NRS, Part 2, Line 10 as "Other Deductions" the excludable amount of gain resulting from the sale of a low income housing project subsidized by the Federal Department of Housing and Urban Development to a nonprofit or governmental organization, agreeing to preserve or increase the low income occupancy of the project. A copy of Federal Form 4797 must be attached to verify the credit. For those owners whose low income housing project has at least 40 percent of its units occupied by persons or families having incomes of 60 percent or less of the median income, the exclusion shall equal 25 percent of the capital gain.

## **CREDITS**

See Form MO-TC instructions for a listing of credits.

## **AUTHORIZATION**

Check the "yes" box for authorization of release of confidential information. This authorizes the Missouri Director of Revenue or delegate to discuss this return and attachments with the preparer whose signature appears on the Form MO-1120S or with any member of his/her firm or if internally prepared, any member of the internal staff. If the authorization box is checked "no", or if no box is checked, the Missouri Director of Revenue or delegate can only discuss this return with an officer of the corporation. Refer to Section 32.057, RSMo.

## **SIGNATURE**

Sections 143.561.1 and 147.020, RSMo, requires the return to be signed by one of the officers of the S corporation. Failure to sign the return will cause a delay in the processing of the return.

## **ASSEMBLE YOUR RETURN**

Assemble any forms and/or schedules behind Form MO-1120S in order of the "Attachment Sequence No." shown in the upper right corner of the form and/or schedule. Put forms without an attachment sequence number next. If you have supporting documentation, arrange them in the same order of forms and/or schedules they support and attach them last. Do not attach items unless required to do so.

## **INTERNET**

Individuals can access the department's web site to obtain informational materials and Missouri tax forms at the following address: [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax).

## **TAX FORMS AVAILABLE BY FAX**

Blank Missouri tax forms are available by fax. To access the Forms-by-Fax system call (573) 751-4800 from your **fax machine handset**. The Forms-by-Fax system will take you through the steps required to receive a copy of the forms you need. If you are speech or hearing impaired, you may call TDD (800) 735-2966 or fax (573) 526-1881.